



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill # HB0087

Title: Eliminate the requirement for a third official school enrollment count

Primary Sponsor: McClafferty, Edith (Edie)

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| General Fund | \$118,584 | \$182,807 | \$198,725 | \$199,860 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| Net Impact-General Fund Balance: | <u>(\$118,584)</u> | <u>(\$182,807)</u> | <u>(\$198,725)</u> | <u>(\$199,860)</u> |

Description of fiscal impact: HB 87 eliminates the official enrollment count on the first Monday in December for determination of Average Number Belonging (ANB). Elimination of the December count is anticipated to increase state funding to schools by \$301,391 in the 2017 biennium.

FISCAL ANALYSIS

Assumptions:

- The average number belonging (ANB) used to determine the general fund budgets for K-12 public schools will be as follows. These estimates are for current year ANB, which is used to calculate the budgeted ANB as determined by 20-9-311(13) and (14).

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|----------|----------------|----------------|----------------|----------------|----------------|
| K-6 ANB | 82,917 | 83,643 | 84,131 | 84,689 | 84,954 |
| 7-8 ANB | 22,167 | 22,239 | 22,452 | 22,695 | 23,276 |
| 9-12 ANB | <u>43,189</u> | <u>43,253</u> | <u>43,390</u> | <u>43,582</u> | <u>44,164</u> |
| | 148,273 | 149,135 | 149,973 | 150,966 | 152,394 |

2. The number of FTE (including special education cooperatives) generating the quality educator payment is estimated to be:

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|------------------|----------------|----------------|----------------|----------------|----------------|
| School Districts | 12,190.893 | 12,190.893 | 12,190.893 | 12,190.893 | 12,190.893 |
| Special Ed Coops | <u>174.572</u> | <u>174.572</u> | <u>174.572</u> | <u>174.572</u> | <u>174.572</u> |
| Total FTE | 12,365.465 | 12,365.465 | 12,365.465 | 12,365.465 | 12,365.465 |

3. The present law inflation applied to the Basic and Per-ANB Entitlements, and the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data for Achievement, and the At Risk Components (20-9-326, MCA) is 2.33% in FY 2016 and 1.79 % in FY 2017. For the present law budget, entitlement and component is set as follows:

| <u>Basic Entitlements</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Elementary Basic | \$40,000 | \$50,000 | \$50,895 | \$51,526 | \$52,093 |
| Middle School Basic | \$80,000 | \$100,000 | \$101,790 | \$103,052 | \$104,186 |
| High School Basic | \$290,000 | \$300,000 | \$305,370 | \$309,157 | \$312,558 |

Basic Entitlement Increments

| | | | | | |
|--|----------|----------|----------|----------|----------|
| Elementary (Each 25 ANB > 250 ANB) | \$2,000 | \$2,500 | \$2,545 | \$2,576 | \$2,605 |
| Middle School (Each 45 ANB > 450 ANB) | \$4,000 | \$5,000 | \$5,090 | \$5,153 | \$5,209 |
| High School (Each 80 ANB past 800 ANB) | \$12,000 | \$15,000 | \$15,269 | \$15,458 | \$15,628 |

Per ANB Entitlements

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Elementary Per-ANB | \$5,226 | \$5,348 | \$5,444 | \$5,512 | \$5,573 |
| High School Per-ANB | \$6,691 | \$6,847 | \$6,970 | \$7,056 | \$7,134 |
| Direct State Aid (DSA) Percentage | 44.7% | 44.7% | 44.7% | 44.7% | 44.7% |

Components

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Indian Education for All | \$20.40 | \$20.88 | \$21.25 | \$21.51 | \$21.75 |
| Indian Achievement Gap | \$200 | \$205 | \$209 | \$212 | \$214 |
| Per Educator | \$3,042 | \$3,113 | \$3,169 | \$3,208 | \$3,243 |
| At Risk | \$5,149,426 | \$5,269,408 | \$5,363,730 | \$5,430,240 | \$5,489,973 |
| Data for Achievement | \$15.00 | \$20.00 | \$20.36 | \$20.61 | \$20.84 |

4. Present law (20-9-326, MCA) requires the Governor to include inflation adjustments for the basic and per-ANB entitlements, and the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data for Achievement, and the At Risk Components in his budget recommendations presented to the legislature. These present law adjustments result in the following expenditures:

| <u>Payment</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|---------------------------------|-----------------|-----------------|
| Direct State Aid | \$435.3 million | \$443.9 million |
| Guaranteed Tax Base Aid | \$158.9 million | \$160.9 million |
| County Retirement GTB | \$37.5 million | \$38.7 million |
| Indian Education For All | \$3.1 million | \$3.2 million |
| American Indian Achievement Gap | \$4.0 million | \$4.0 million |
| Quality Educator | \$38.5 million | \$39.2 million |
| Data for Achievement | \$3.0 million | \$3.0 million |
| Natural Resources Development | \$4.9 million | \$8.1 million |

5. Direct State Aid, GTB and other general fund components are computed with the school funding model used by the Office of Public Instruction, the Legislative Fiscal Division and the Office of Budget and Program Planning using current statutory entitlements, enrollment estimates, and estimated property tax values.
6. The state special education allowable cost payment remains at the FY 2015 level of \$42.8 million per year.
7. The statewide taxable valuations are forecast to increase by 1.20% in FY 2016 and 3.30% in FY 2017.
8. HB 87 eliminates the requirement for an official enrollment count on the first Monday in December. Under HB 87, the official enrollment counts on the first Monday in October and February will be used to calculate Average Number Belonging (ANB) for a school district for the ensuing school year.
9. If only the October 2013 and February 2014 enrollment counts had been used to calculate the FY 2015 current year ANB, there would have been a net increase of four ANB statewide for elementary programs, three ANB for middle school programs, and 35 ANB for high school programs.
10. Although there is an overall increase in ANB statewide not all schools show an increase. Below is a chart that lists the number of schools that have increases/decreases in ANB related to the calculation of ANB with only 2 count dates.

| | <u>Elementary</u> | <u>Middle</u> | <u>High School</u> |
|------------------------------------|-------------------|---------------|--------------------|
| School Count with Increases in ANB | 68 | 32 | 39 |
| School Count with Decreases in ANB | 65 | 29 | 38 |

11. There are 303 operating elementary programs in the state in FY 2015. Of these, 172 saw no change in ANB using either three counts or two counts; 66 elementary programs increased in ANB; and 65 elementary programs had decreased ANB.
12. There are 206 operating middle school programs in the state in FY 2015. Of these, 145 saw no change in ANB using either three counts or two counts; 32 middle school programs increased in ANB; and 29 middle school programs decreased in ANB.
13. There are 160 operating high school programs in the state in FY 2015. Of these, 83 saw no change in ANB using either three counts or two counts; 39 high school programs increased in ANB; and 38 high school programs decreased in ANB.
14. Below is a chart that displays the magnitude of ANB increase/decrease by number of programs affected due to HB 87. This shows the number of legal entities that would have current ANB adjustments.

| <u>ANB Increase or Decrease</u> | <u>Elementary</u> | <u>Middle</u> | <u>High School</u> |
|---------------------------------|-------------------|---------------|--------------------|
| 7 | 0 | 0 | 1 |
| 6 | 0 | 0 | 0 |
| 5 | 0 | 0 | 3 |
| 4 | 3 | 1 | 3 |
| 3 | 4 | 0 | 5 |
| 2 | 7 | 2 | 4 |
| 1 | 52 | 29 | 23 |
| 0 | 172 | 145 | 83 |
| -1 | 52 | 24 | 32 |
| -2 | 7 | 5 | 5 |
| -3 | 5 | 0 | 1 |
| -4 | 0 | 0 | 0 |
| -5 | 0 | 0 | 0 |
| -6 | 0 | 0 | 0 |
| -7 | 0 | 0 | 0 |
| -8 | 1 | 0 | 0 |

| | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| Local Assistance (DSA) | \$103,323 | \$115,598 | \$123,200 | \$125,283 |
| Local Assistance (GTB) | \$7,283 | \$58,813 | \$66,895 | \$65,667 |
| Local Assistance (Indian Ed for All) | \$752 | \$850 | \$860 | \$892 |
| Local Assistance (Data for Achieve) | \$720 | \$835 | \$845 | \$875 |
| Local Assistance (Retirement GTB) | \$6,507 | \$6,712 | \$6,924 | \$7,143 |
| TOTAL Expenditures | <u><u>\$118,584</u></u> | <u><u>\$182,807</u></u> | <u><u>\$198,725</u></u> | <u><u>\$199,860</u></u> |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | <u>\$118,584</u> | <u>\$182,807</u> | <u>\$198,725</u> | <u>\$199,860</u> |
| TOTAL Funding of Exp. | <u><u>\$118,584</u></u> | <u><u>\$182,807</u></u> | <u><u>\$198,725</u></u> | <u><u>\$199,860</u></u> |
| <u>Revenues:</u> | | | | |
| General Fund (01) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| TOTAL Revenues | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | (\$118,584) | (\$182,807) | (\$198,725) | (\$199,860) |

Effect on County or Other Local Revenues or Expenditures:

- Increases to school district BASE budgets are shared by the state and local taxpayers. The increased ANB that result from HB 87 creates a potential increase in district BASE budgets. Statewide, local property taxes to fund the BASE budget could increase by approximately \$68,677 in FY 2016 and \$27,687 in FY2017.

Rep. Edie McElroy
 Sponsor's Initials
 1/6/15
 Date

[Signature]
 Budget Director's Initials
 1/5/15
 Date